FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of	NOTICE OF CHARGES AND OF HEARING, NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING
BANK OF LOUISIANA NEW ORLEANS, LOUISIANA	
	FDIC-12-489b
(Insured State Nonmember Bank)	FDIC-12-479k

The Federal Deposit Insurance Corporation ("FDIC"), having determined that BANK OF LOUISIANA, NEW ORLEANS, LOUISIANA ("Bank") has engaged in unsafe or unsound banking practices and has violated the provisions of the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*,12 U.S.C. § 1829b, 12 U.S.C. §§ 1951-1959 and 12 U.S.C. 1818(s), and its implementing regulations, 31 C.F.R. Chapter X (effective March 1, 2011), Section 326.8, Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, and 12 C.F.R. Part 353 (collectively the "BSA") as well as other laws, rules or regulations, institutes this proceeding to determine whether an appropriate ORDER TO CEASE AND DESIST ("C&D ORDER") should be issued against the Bank under the provisions of Sections 8(b)(1) and 8(s) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. §§ 1818(b)(1) and (s).

Therefore, the FDIC hereby issues this NOTICE OF CHARGES AND OF HEARING ("C&D NOTICE"), pursuant to Sections 8(b)(1) and 8(s) of the FDI Act, 12 U.S.C. §§ 1818(b)(1) and (s), and the FDIC Rules of Practice and Procedures, 12 C.F.R. Part 308.

Further, based on the foregoing BSA violations, as well as violations of Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45(a)(1), the Electronic Funds Transfer Act ("EFTA"), 15 U.S.C. § 1693f, and Sections 1005.11 and 1005.7 of Regulation E, 12 C.F.R. §§ 1005.11 and 1005.7, the FDIC institutes this proceeding for the assessment of civil money penalties against the Bank pursuant to the provisions of Section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A), and issues this NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING ("NOTICE OF ASSESSMENT") pursuant to the provisions of the Act, 12 U.S.C. §§ 1811-1831aa, and the FDIC Rules of Practice and Procedures, 12 C.F.R. Part 308.

The FDIC alleges as follows:

JURISDICTION

1. The Bank is a corporation existing and doing business under the laws of the State of Louisiana and has its principal place of business in New Orleans, Louisiana. At all times pertinent to the charges herein, the Bank is and has been a "State nonmember bank" within the meaning of Section 3(e)(2) of the FDI Act, 12 U.S.C. § 1813(e)(2), an "insured depository institution" within the meaning of Section 3(c)(2) of the FDI Act, 12 U.S.C. 1813(c)(2), and subject to the FDI Act, 12 U.S.C. §§ 1811-1831aa, the Rules and Regulations of the FDIC, 12 C.F.R. Part 353 ("FDIC Rules"), and the laws of the State of Louisiana.

2. The FDIC is the "appropriate Federal banking agency" as that term is defined in Section 3(q)(2) of the FDI Act, 12 U.S.C. § 1813(q)(2), with respect to the Bank, and the FDIC

has jurisdiction over the Bank, the "institution-affiliated parties" of the Bank as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u), and the subject matter of this proceeding.

3. If, in the opinion of the FDIC, an insured depository institution is engaging or has engaged in an unsafe unsound practice in conducting the business of such depository institution or is violating or has violated any law, rule, or regulation, the FDIC may issue and serve upon the depository institution a NOTICE for the purposes of determining whether an CEASE AND DESIST ORDER ("ORDER") should be entered against the insured depository institution pursuant to Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b).

(a) When the FDIC determines that an insured depository institution has failed to establish and maintain procedures to ensure a bank's compliance with the monetary transaction recordkeeping and reporting requirements of the BSA or failed to correct any problem with the procedures previously reported to the insured depository institution by the FDIC, Section 8(s) of the FDI Act, 12 U.S.C. § 1818(s), requires the FDIC to issue an ORDER against the insured depository institution as set forth in Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b).

4. When the FDIC determines that an insured depository institution has violated any law or regulation, the FDIC may assess the insured depository institution a civil money penalty ("CMP") of not more than $7,500 for each day during which such violation continues pursuant to Section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), as adjusted for inflation pursuant to 77.F.R. 74574 (December 17, 2012).

RISK MANAGEMENT ALLEGATIONS

RISK MANAGEMENT EXAMINATION FINDINGS: 2013

5. The Bank's risk management examination reflects that the Bank's financial condition has deteriorated to an unsatisfactory level as recorded by the FDIC and the Louisiana Office of Financial Institutions ("OFI") in a joint report of examination dated January 14, 2013 ("2013 ROE") which utilized Bank financial information primarily as of September 30, 2012 (unless otherwise noted), along with an asset review date of November 30, 2012.

MANAGEMENT

6. As set forth in the 2013 ROE, Bank management is critically deficient for the following non-exclusive reasons:

(a) The Bank has failed to develop specific and realistic strategies to improve the condition of the Bank or comply with supervisory corrective actions or suggestions in the past.

(b) The Bank continues to deteriorate. There are currently in place Memorandums of Understanding in both the Safety and Soundness and Compliance areas. A Safety and Soundness, BSA, and Compliance C&D ORDER is sought through this enforcement action.

(c) Since April 2012 until September 10, 2013, when the Bank added a fourth director, the Bank operated with only three directors and is in violation of LSA-RS 6:281(A)(1), which requires Louisiana State banks to be managed by no less than five directors, as noted in the 2013 ROE.

(i) In addition, the Bank's board of directors ("Board") does not adequately supervise the Bank's affairs and dissension exists among the Board members resulting in the FDIC and the OFI citing a violation of LSA-RS 6:291, which requires a Louisiana bank board of directors to perform their duties in good faith with diligence, care, judgment, and skill, in the 2013 ROE as set forth in paragraph 14(e) of this C&D NOTICE.

(d) The Bank's Management Succession Plan is inadequate to assure long-term management continuity because of the following non-exclusive reasons:

(i) There is no guidance for recruiting or appointing a permanent Chief Executive Officer;

(ii) Although the current Vice President is slated to fill the Bank President's position in the event the position becomes vacant, she has not received any formal training nor is there any timeline in place to prepare her for the position of Bank President; and

(iii) The Board and Bank management have not established an adequate plan to fill the vacancy created by the termination of the Bank's Senior Vice President and Chief Financial Officer, an employee with more than 30 years of service at the Bank, who was responsible for key Bank operations including IT, business continuity planning, financial and regulatory reporting, deposit pricing and fee setting, operational and executive management policies, risk management assessments, budgeting, strategic plan development, asset/liability management, liquidity management, and human resources.

(e) Bank management has failed to develop and administer an adequate BSA Compliance Program resulting in a repeat violation of Section 326.8 of FDIC's Rules and Regulations, 12 C.F.R. § 326.8, which incorporates the basic elements of an effective BSA Compliance Program as set forth in paragraph 18 of this C&D NOTICE.

(f) Bank management has failed to adequately support the Bank's Compliance Management System ("CMS") function as set forth in paragraphs 30-35 of this C&D NOTICE.

(g) Bank management's internal audit department is inadequate for the following non-exclusive reasons:

(i) The Bank has not developed an internal audit manual detailing specific audit procedures nor has the Bank developed any internal control questionnaires to use in the audit function;

(ii) The internal audit department lacks a set schedule outlining when specific audit areas are to be completed; and

(iii) The Internal Auditor's simultaneous duty as the Bank's Compliance Officer detrimentally impacts the audit department's independence and undermines its overall effectiveness.

(h) Bank management's supervision of the credit function of the Bank is unsatisfactory as asset quality continues to deteriorate, in part, due to management's inadequate underwriting, loan administration and supervision, and collection practices.

(i) Bank management has been deficient in its handling of Other Real Estate ("ORE") for the following non-exclusive reasons:

(i) Bank management retains ORE waiting for the real estate market to further recover its value as evidenced by the fact only four of the Bank's 37 ORE properties were listed with realtors at the 2013 examination; and

(ii) The Bank's increasing costs associated with retaining and maintaining the ORE adversely impacts the Bank's earnings.

(j) Bank management's methodology for identifying, quantifying, and mitigating credit risk is flawed for the following non-exclusive reasons:

(i) The Bank has maintained its Allowance for Loan and Lease Losses ("ALLL") at an arbitrary $1,800,000 level for at least three years in contravention of regulatory guidance as outlined in the Interagency Policy Statement on Allowance for Loan and Lease Losses, FIL-105-2006, dated December 13, 2006;

(ii) The Bank's Internal Auditor lacks any prior banking experience, thereby precluding the Board and Bank management from adequately reviewing and assessing credit quality based upon the Internal Auditor's reports;

A. The Internal Auditor's review is limited to an assessment of the Bank's compliance with Bank policy instead of the Internal Auditor providing the Bank with a qualitative analysis of credit quality, the accurate/independent assignment of risk ratings for individual loans, and a comprehensive quantitative assessment of credit quality of the Bank's entire loan portfolio; and

(iii) The loan review system is deficient as evidenced by the Bank's failure to properly identify $994,000 in adversely classified loans involving eight relationships as identified in the 2013 ROE.

(k) The Bank has deficient appraisal and evaluation practices, which are described as violations of law in paragraph 14 of this C&D NOTICE.

(l) As a result of the Bank's critically deficient management practices, the Bank's earnings are deficient and are insufficient to adequately support Bank operations, augment capital, or fund an adequate ALLL, as further discussed in paragraphs 11-12 of this C&D NOTICE.

(m) Bank management's budget projections, its assumptions, and its goals are unreasonable given the Bank's inability to achieve meaningful loan growth, as further discussed in paragraph 12(c) of this C&D NOTICE.

(n) Bank management's failure to discharge their duties adequately is further demonstrated by the extent, nature, and volume of the violations, the repeat violations, and the contraventions of policy discussed in paragraphs 14-15, 17-28, and 35 of this C&D NOTICE; and

(o) Bank management's failure to perform its duties resulted in the citation of the violation of LSA-R.S. 6:291(A) which requires that the officers and directors of a Louisiana bank perform their duties in good faith and with diligence, care, judgment, and skill, as noted in the 2013 ROE.

7. For the reasons set forth in paragraph 6, the Bank has been operating in an unsafe or unsound manner by operating with Bank management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

8. For the reasons set forth in paragraph 6, the Bank has been operating in an unsafe or unsound manner by operating without adequate supervision and direction by the Board.

ASSET QUALITY

9. According to the 2013 ROE, the Bank's asset quality is deficient and continues to decline as evidenced by the following non-exclusive reasons:

(a) Management's failure to adequately supervise the credit function of the Bank as set forth in paragraph 6 of this C&D NOTICE;

(b) Adversely classified assets total $12,621,000, with $12,568,000 classified Substandard and $53,000 classified as Loss. The adversely classified items consist of the following:

(i) Loans totaling $7,620,000;

(ii) ORE totaling $4,946,000; and

(iii) Other assets totaling $55,000.

(c) Total adversely classified assets represent 90 % of Tier 1 Capital plus ALLL;

(d) Nonperforming assets total $9,997,000 or 11% of total assets and constitute the highest ratio of nonperforming assets to total assets of any bank in the State of Louisiana as of September 30, 2012;

(e) As of December 31, 2012, total loan delinquencies were at 16% of gross loans; and

(f) As of December 31, 2012, ORE represents 6% of the Bank's average assets and 48% of equity capital compared to 1% and 8% respectively for peer banks

nationwide, as evidenced by the Uniform Bank Performance Report ("UBPR").

10. For the reasons set forth in paragraph 9, the Bank has been operating in an unsafe or unsound manner by operating with an excessive level of adversely classified assets.

EARNINGS

11. According to the 2013 ROE, the Bank's earnings are deficient.

12. Earnings are insufficient to adequately support operations, augment capital, and fund an appropriate ALLL, for the following non-exclusive reasons:

(a) As of December 31, 2012, the Bank reflected a net operating loss of $179,000 with non-interest expenses exceeding revenues by more than $100,000;

(b) Core profitability (as measured, in part, by the ratio of net-interest income to average assets) is trending downward and averaged 5.99% the past five years; thus, the Bank's earnings from its loan and investment activities are becoming increasingly incapable of offsetting the non-interest expense to average assets ratio that has averaged 6.86% over the past five years;

(i) As of December 31, 2012, the Bank's non-interest expenses are in the 94th percentile of peer banks nationwide at 6.60% of average assets as compared to 3.73% for peer banks, as evidenced by the UBPR;

(ii) High non-interest expense ratios are, in part, the result of unprofitable branch operations due to poor efficiency and overstaffing, as evidenced by the following:

A. Two of the six branches have loan to deposit ratios below 10% and operate at a loss; and

B. The branch network has a low dollar volume of assets per employee of $1,410,000, placing the Bank in the lowest 1% of its peer group nationwide, as evidenced by the UBPR.

(iii) As of December 31, 2012, the Bank had a negative return on average assets ("ROAA") of 0.20%.

(c) Budget projections and assumptions are unreasonable for the following reasons:

(i) As of December 31, 2012, operating results reflected a net loss of $179,000, as compared to the Bank's budget projection of a $270,000 profit for 2012; and

(ii) Bank management's assumptions contained in the Bank's Five-Year Plan are not supported by the Bank's past, current, or expected performance.

13. For the reasons set forth in paragraphs 11-12, the Bank has been operating in an unsafe or unsound manner by operating with inadequate earnings to fund growth, support dividend payments, and augment capital.

VIOLATIONS AND CONTRAVENTIONS

14. The Bank committed the following risk management violations as set forth in the 2013 ROE:

(a) A repeat violation of Section 215.4(e)(1) of the Federal Reserve Board's Regulation O, 12 C.F.R. § 215.4(e)(1), which is made applicable to state nonmember banks by virtue of Section 18(j)(2) of the FDI Act, 12 U.S.C. § 1828(j), restricting the payment of overdrafts by a bank director or officer;

(b) Fourteen violations of Part 323 of FDIC's Rules, 12 C.F.R. Part 323, governing real estate appraisals and evaluations of real estate-related financial transactions:

(i) Two of the violations involved subsection 323.3(b), 12 C.F.R. 323.3(b), and involved outdated or insufficiently documented evaluations on real estate pledged as collateral for existing loans; and

(ii) Twelve of the violations involved subsection 323.3(b), 12 C.F.R. 323.3(b), and involved ORE obtained for debts previously contracted and were based upon Bank loan officer evaluations that did not meet the regulatory requirements for evaluations due to both lack of independence and the lack of evaluation content/documentation requirements.

(c) Three violations of LSA: RS 6:243, which governs when appraisals and evaluations of immovable property are required under Louisiana law:

(i) An annual appraisal for one property valued at over $250,000 has not been obtained since 2010; and

(ii) Annual evaluations have not been obtained on two properties valued at less than $250,000 since 2010 and 2011, respectively.

(d) A violation of LSA: RS 6:281, which governs the number of members of a board of directors required for a Louisiana chartered state bank. The Bank has been in violation of this statute since April 2012 when two of the Bank's directors resigned leaving the Bank with only three directors instead of the minimum of five directors required by LSA: RS 6:281; and

(e) A violation of LSA: RS 6:291, which governs the relation and liability of directors and officers to bank and bank holding company stockholders which requires that bank directors and officers perform their duties in good faith and with diligence, care, judgment, and skill. The extent, nature, and volume of deficiencies related to management supervision in paragraph 6 of this C&D NOTICE and the violations and contraventions of policy cited in paragraphs 14-15, 17-28, and 35 of this C&D NOTICE demonstrate that the Board and Senior Management have failed to discharge their duties in a manner that would return the Bank to satisfactory financial condition.

15. The Bank is in contravention of the following statements of policy ("SOPs") and regulatory guidelines ("Guidelines"):

(a) The Bank's overall appraisal process contravened FDIC SOP dated December 2, 2010, on Interagency Appraisal and Evaluation Guidelines. In particular:

(i) The Bank's loan officers routinely perform their own in-house appraisal estimates for loans that they originate as well as the evaluations on the ORE that the Bank obtains in connection with the foreclosure of such

loans; thus, there is no independent evaluation of the real estate that serves as collateral on the Bank's loans or the Bank's ORE;

(ii) Violations of Part 323 of the FDIC Rules (Appraisal Standards), 12 C.F.R. Part 323, have been cited for three consecutive examinations in 2010, 2011, and 2013; and

(iii) Since the 2011 examination, additional monies were advanced on 5 adversely classified loans without a new appraisal or evaluation to assess the Bank's potential additional exposure on such real estate collateral.

(b) The Bank's ineffective lending policies and practices contravened the FDIC's Guidelines Establishing Standards for Safety and Soundness in Part 364, Appendix A of FDIC's Rules and Regulations. These deficiencies include, but are not limited to, the Bank's loan documentation practices, which are deficient and ineffective to adequately underwrite loans and assess credit risk, as evidenced by the following non-exclusive factors:

(i) The Bank does not have a financial document tracking system to ensure proper financial documentation is obtained on all loan customers;

(ii) Lending personnel do not consistently obtain current and complete financial information on borrowers in order to determine the borrowers' true financial condition and repayment capacity through the use of global and comprehensive cash flow assessments;

(iii) Credit related documentation exceptions are inordinately high in comparison to the number of loans sampled during the 2013

examination as evidenced by the fact that 42% of the loans reviewed at the 2013 examination lacked satisfactory credit or financial information.

(iv) Weaknesses in the Bank's appraisal policies and practices preclude an independent and informed assessment of the value of loan collateral as set forth in paragraph 14 of this C&D NOTICE;

(v) The Bank has not established an effective credit review system, in part, because the loan review process has been assigned to an Internal Auditor lacking credit experience as set forth in paragraph 6 of this C&D NOTICE;

(vi) Monthly asset quality reports provided to the Board identify problem assets and provide a brief status report, but fail to do the following:

A. The reports do not adequately state the magnitude of the potential loss associated with the adversely classified assets or comment on future projections about the status of the affected credits;

B. The reports fail to discuss credit trends using traditional asset quality metrics such as calculating the current percentage of the Bank's loans that are past-due or reviewing the ratio of the Bank's adversely classified assets to capital; and

C. The reports fail to establish or recommend individual action plans for problem loans.

(vii) Specific Bank strategies to reduce the level of nonperforming loans or to liquidate ORE holdings are limited.

16. For the reasons set forth in paragraph 14-15, the Bank has engaged in unsafe or unsound practices by engaging in violation of laws, regulations, and contraventions of regulatory guidance and policy statements.

BSA ALLEGATIONS

BSA EXAMINATION FINDINGS: 2013

17. The Bank's overall BSA Compliance Program was deemed to be critically deficient for the second consecutive examination by the FDIC and the OFI in the 2013 ROE.

12 C.F.R. § 326.8 BSA COMPLIANCE PROGRAM: PILLAR VIOLATIONS

18. Section 326.8(b)(1) of the FDIC Rules, 12 C.F.R. § 326.8(b)(1), requires, in part, that each covered financial institution shall develop and administer a written, Board-approved BSA compliance program ("BSA Compliance Program") reasonably designed to ensure compliance with recordkeeping and reporting requirements set forth in subchapter II of chapter 53 of title 31 United States Code, 31 U.S.C. § 5311 *et seq.*, and the implementing regulations issued by the Department of Treasury at 31 Code of Federal Regulations Chapter X, 31 C.F.R. Chapter X:

(a) The Bank has failed to develop and administer an adequate BSA Compliance Program as evidenced by the Bank's violation of the four minimum requirements for a BSA Compliance Program (the "four pillars") as set forth in Section 326.8(c) of FDIC's Rules, 12 C.F.R. § 326.8(c), which requires the Bank, at a minimum, to (i) provide for a system of internal controls to assure on-going compliance, (ii) provide for independent testing for compliance to be

conducted by bank personnel or an outside party, (iii) designate an individual or individuals responsible for coordinating and monitoring day-to-day compliance, and (iv) provide training for appropriate personnel. This is a repeat violation of the four pillars first cited in the 2012 BSA Report of Examination ("2012 BSA ROE") which utilized Bank information as of July 30, 2012. The four pillar violations are identified in the 2013 ROE:

(i) Section 326.8(c)(1) of the FDIC Rules, 12 C.F.R. § 326.8(c)(1), requires the Bank to provide for a system of internal controls to assure ongoing BSA compliance. The Bank has failed to establish an adequate system of internal controls consisting of effective policies, procedures, and processes to ensure compliance with the Bank's BSA Compliance Program, as identified in the 2013 ROE:

A. The Bank has failed to provide for BSA Compliance Program continuity when BSA duties are transferred from one employee to another employee;

B. The Bank has failed to provide for dual controls and the segregation of duties on BSA-related matters;

C. The Bank has failed to have in place sufficient controls and monitoring systems for identifying and reporting suspicious activity, as identified in the 2013 ROE:

1. Suspicious Activity Reports' ("SARs") narratives lack clarity and do not always contain all of the relevant information required;

2. There is no SAR committee or second-person review of SAR filings or decisions not to file SARs;

3. The Bank does not adequately document decisions made not to file SARs;

4. The Bank has failed to document whether or not the Bank reviews the monetary instrument log or the wire transfer log for suspicious activity. As a result of the Bank's failure to review the logs, the Bank has failed to file SARs where appropriate;

5. The Bank does not conduct any type of suspicious activity monitoring of employees' bank-owned credit card accounts;

6. The Bank does not review the activity of subpoenaed subjects or review any currency transaction report ("CTR") filed on exempted customers for suspicious activity; and

7. The Bank does not have established procedures for reviewing high-risk customer accounts for suspicious activity or document that such reviews are conducted.

D. The Bank has failed to implement appropriate procedures for identifying and reporting CTRs, CTR exemptions, and SARs, as identified in the 2013 ROE:

1. The Bank's CTR system, as currently configured, cannot aggregate currency transactions by any relationship factor or across branches;

2. CTRs are aggregated by one designated Bank employee who manually aggregates all branch transactions based on hand-written CTR forms and the branch's large cash transaction reports which do not reflect related accounts or multiple branch transactions;

3. As a result of the aggregation problems discussed in subparagraphs 1 and 2 above, the Bank failed to file CTRs where appropriate.

4. The Bank has failed to appropriately perform the required annual reviews or monitor the activities of "exempt persons" for suspicious activities; and

5. The Bank does not maintain documentation to support that the "non-listed businesses'' it has exempted continue to not derive no more than 50% of their annual gross revenues from ineligible business activities.

E. The Bank has failed to provide adequate training for the Bank's management, the Bank's BSA Officer, and employees as set forth in paragraph 18(a)(iv) of this C&D NOTICE;

F. The Bank's lack of internal controls has resulted in numerous apparent BSA and anti-money laundering ("AML") violations, including repeat violations previously cited in the 2012 BSA ROE, as set forth in paragraphs 17-28 of this C&D NOTICE;

(ii) Section 326.8(c)(2) of the FDIC Rules, 12 C.F.R. § 326.8(c)(2), requires that the Bank provide for independent testing for compliance by Bank personnel or by an outside party. The Bank has failed to conduct sufficient independent testing, as identified in the 2013 ROE:

A. The Bank has failed to employ an Internal Auditor who possessed the necessary experience in bank auditing or testing for BSA compliance;

B. The independent test of the BSA Compliance Program conducted in March 2012 by the Bank's Internal Auditor lacked adequate transaction testing because the Internal Auditor failed to:

1. Sample customer accounts to review for suspicious activity;

2. Review files of high-risk customers to ensure monitoring of suspicious activity;

3. Review monetary instruments logs and sample accounts of customers who were the subjects of subpoenas for suspicious activity; or

4. Test the integrity of the Bank's Management Information Systems used to comply with BSA/AML regulations and guidance by periodically reconciling the Bank's teller slips with the automated computer system.

C. In September of 2012, the Board hired a consulting firm, Pickering & Associates, which is operated by a partner in a local law firm who routinely performs legal work for the Bank, to conduct

independent testing of the BSA Compliance Program; however, the Pickering & Associates' testing was deemed inadequate at the time of the 2013 ROE because the proposed scope of the independent test to be conducted in 2013 did not include all relevant areas such as training or customer due diligence.

D. There has been no adequate full-scope independent test since April 2010.

(iii) Section 326.8(c)(3) of the FDIC Rules, 12 C.F.R. § 326.8(c)(3), requires the Bank to provide an individual or individuals responsible for coordinating and monitoring day-to-day compliance. The Bank has failed to appoint a knowledgeable, trained, BSA Officer, and at times has even operated without a designated BSA Officer, as identified in the 2013 ROE:

A. The Bank operated without a BSA Officer from September 13, 2012 to October 9, 2012;

B. The Bank operated without a BSA Officer from October 24, 2012 to January 8, 2013; and

C. When the position of BSA Officer was filled on January 8, 2013, the Bank failed to appoint a knowledgeable, trained BSA Officer and failed to provide her with sufficient time or the resources necessary to fulfill her BSA-related duties:

1. The current BSA Officer also serves as a branch manager at the Bank's main branch in New Orleans and thus does not

have adequate time to perform her duties as BSA Officer; and

2. The current BSA Officer has inadequate knowledge of BSA and its related regulations.

(iv) Section 326.8(c)(4) of the FDIC Rules, 12 C.F.R. § 326.8(c)(4), requires that the Bank provide for BSA training for appropriate personnel. The Bank has failed to ensure that appropriate personnel are adequately trained, as identified in the 2013 ROE:

A. Prior to the 2013 examination, BSA training was only provided via Bank Administration Institute ("BAI") online training and DVDs sent to branch locations;

1. The Bank failed to train the Bank employees on Bank BSA policy and procedures; and

2. Confining BSA training to online DVDs containing generalized information regarding BSA regulations resulted in Bank employees failing to understand the importance of BSA regulations and how to incorporate compliance with BSA regulations into their job descriptions.

B. Although the BSA Officer conducted in-person training at some of the branch locations during the 2013 examination, not all relevant areas were scheduled to be covered during those training sessions:

1. The training did not cover customer due diligence;

2. The training did not cover procedures for monitoring high-risk customers, other than Money Services Businesses; and

3. The training did not cover Bank specific procedures related to ensuring compliance with Office of Foreign Assets Control ("OFAC") requirements.

C. There are appropriate Bank personnel who have not received adequate Bank specific BSA training:

1. The Bank's Senior Lending Officer and the Bank's Vice President who supervises the BSA Officer reported having only taken online BSA-related courses; and

2. The Vice President who directly supervises the BSA Officer is unfamiliar with the Federal Financial Institutions Examination Council ("FFIEC") guidance for conducting BSA examinations as well as SAR forms and associated filing requirements.

D. The number of apparent BSA-related violations and repeat violations noted in the 2013 ROE demonstrates that Bank staff has not received sufficient training on BSA requirements.

31 C.F.R. CHAPTER X: VIOLATIONS

19. Section 1010.306(a)(1) of the Treasury Department's BSA regulations ("BSA Regulations"), 31 C.F.R. § 1010.306(a)(1), which incorporates Section 1010.311 of the BSA Regulations, 31 C.F.R. § 1010.311, requires a financial institution to file a report (a CTR) on any

deposit, withdrawal, exchange of currency or other payment or transfer by, through, or to such financial institution which involves a transaction in currency of more than $10,000 (unless otherwise exempted) within 15 days following the day on which the reportable transaction occurred:

(a) The Bank failed to timely file CTRs on 11 transactions, as identified in the 2013 ROE.

20. Section 1020.311 of the BSA Regulations, 31 C.F.R. § 1020.311, incorporates Section 1010.311 of the BSA Regulations, 31 C.F.R. § 1010.311, which requires that each financial institution file a report of each deposit, withdrawal, exchange of currency or other payment or transfer by, through, or to such financial institution which involves a transaction in currency of more than $10,000, unless such transactions are otherwise exempted by BSA Regulations:

(a) The Bank failed to file three CTRs on the three customers, as identified in 2013 ROE; and

(b) The Bank failed to file 18 CTRs on ten customers that the former BSA Officer committed to file that were noted in the 2012 BSA ROE.

21. Section 1020.313 of the BSA Regulations, 31 C.F.R. § 1020.313, incorporates Section 1010.313 of the BSA Regulations, 31 C.F.R. § 1010.313, which requires a financial institution to treat multiple transactions as a single transaction for purposes of filing a report if the financial institution has knowledge that the transactions are by or on behalf of any person and result in either cash in or cash out totaling more than $10,000 during any one business day:

(a) The Bank failed to aggregate and report three separate customer transactions that exceeded the $10,000 reporting threshold, as identified in the 2013 ROE.

22. Section 1020.315(d) of the BSA Regulations, 31 C.F.R. § 1020.315(d), requires a bank to review the eligibility of an exempt person at least once a year in order to determine whether such person remains eligible for an exemption. As part of the annual review, the bank must review the application of the monitoring system required to be maintained by paragraph (h)(2) of Section 1020.315 ("monitoring system") that is designed to detect as to each exempt persons "non-listed business account" or "payroll customer" account as such accounts are defined by paragraph (b)(6) and (b)(7) of Section 1020.315, for those transactions in currency involving such account that would require the bank to file a suspicious transaction report:

(a) The Bank failed to perform the required annual reviews on 11 "exempt persons" or to monitor such persons for suspicious transactions, as identified in the 2013 ROE.

23. Section 1020.315(e)(1) of the BSA Regulations, 31 C.F.R. § 1020.315(e)(1), requires a bank take steps to assure itself that a person is an exempt person, to document the basis for its conclusions, and to document compliance with Section 1020.315 using measures that a reasonable and prudent bank would take to protect itself from loan or other fraud or loss based on the misidentification of a person's status, and, in the case of a monitoring system requirement, a bank should document that it has taken such steps as a reasonable and prudent bank would take and document to identify suspicious transactions as required by the monitoring system required by paragraph (h)(2):

(a) The Bank failed to take sufficient steps to assure itself that the 11 customers on its exempt list continue to be exempt, as identified in the 2013 ROE; and

(b) The Bank has not documented that it has taken reasonable and prudent steps to ensure that its monitoring system is capable of identifying the suspicious transactions of exempt persons, as identified in the 2013 ROE.

24. Section 1020.520 of the BSA Regulations, 31 C.F.R. § 1020.520, references Section 1010.520 of the BSA Regulations, 31 C.F.R. § 1010.520, which requires information sharing between government agencies and financial institutions. Pursuant to paragraph (b)(3) of Section 1010.520, upon receiving an information request from the Financial Crimes Enforcement Network ("FinCEN"), a financial institution shall expeditiously search its records to determine whether it maintains or has maintained any account for, or has engaged in any transaction with, each individual, entity, or organization named in FinCEN's request. The Bank has violated the aforementioned regulation by failing to document the Bank's review of the following searches, as identified in the 2013 ROE:

(a) On September 18, 2012, 12 of the 12 case numbers on the FinCEN request were not recorded on the Bank's log as having been searched;

(b) On December 25, 2012, seven of the seven case numbers on the FinCEN request were not recorded on the Bank's log as having been searched;

(c) Or January 8, 2013 six of the six case numbers on the FinCEN request were not recorded on the Bank's log as having been searched;

(d) On August 7, 2012, three case numbers on the FinCEN request were not recorded on the Bank's log as having been searched;

(e) On August 21, 2012, five case numbers on the FinCEN request were not recorded on the Bank's log as having been searched;

(f) On October 16, 2012, four case numbers on the FinCEN request were not recorded on the Bank's log as having been searched;

(g) On December 11, 2012, one case number on the FinCEN request was not recorded on the Bank's log as having been searched; and

(h) Examiners could not determine if any records beyond the Bank's central data base were searched (i.e., records of wire transfers or monetary instrument sales) or if the searches were conducted in a timely manner so that any required reports could be filed pursuant to paragraph (b)(3)(C)(ii).

12 C.F.R. PART 353: VIOLATIONS

25. Section 353.3(a)(4)(iii) of the FDIC Rules, 12 C.F.R. § 353.3(a)(4)(iii), requires that whenever a bank knows, suspects, or has reason to suspect that a transaction involving or aggregating $5,000 or more in funds or other assets, has no business or apparent lawful purpose, or is not the sort of transaction in which the particular customer would normally be expected to engage, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction, the bank must file a SAR (also known as "Form FDIC 6710/06"):

(a) The Bank failed to file a SAR on the seven suspicious transactions set forth in the 2013 ROE for which no explanation was provided; and

(b) Nine repeat violations of 12 C.F.R. § 353.3(a)(4)(iii) that were cited in the 2012 BSA ROE remain outstanding violations and are cited again in the 2013 ROE.

OFFICE OF FOREIGN ASSETS CONTROL (OFAC): REVIEW

26. Under delegated authority from the Secretary of the Treasury, OFAC furthers U.S. foreign policy and national security goals by administering and enforcing economic and trade sanctions against targeted foreign countries, groups, and persons subject to 31 C.F.R Ch. V, Office of Foreign Assets Control Regulations, *See* 31 C.F.R. Part 500.

27. The FDIC, as the "appropriate Federal banking agency" for any State nonmember insured bank pursuant to 12 U.S.C. § 1813(q)(2)(A), must evaluate each financial institution the FDIC supervises for compliance with federal law and regulations including, but not limited to, the Bank's compliance with OFAC regulations, *See* 31 C.F.R. Part 501.

28. Each State nonmember bank must ensure its own compliance with OFAC Regulations which must be evaluated by the FDIC. Accordingly, the Bank has developed its own OFAC compliance system ("OFAC Compliance System") which the FDIC has determined contains the following systemic weaknesses, as identified in the 2013 ROE:

(a) The Bank has not performed an OFAC risk assessment in order to determine the risk associated with the Bank's products and departments:

(i) Until the Bank accurately assesses the risks associated with its own products and departments, the Bank cannot implement or maintain an effective OFAC Compliance System and ensure that the appropriate focus is placed on the Bank's high-risk areas.

(b) Daily reports of potential OFAC matches on automated clearing house ("ACH") transactions are not checked and potential OFAC matches (also known as "hits") are not "cleared" (checked to determine if the hits were "true matches" or "false positives"):

(i) The Bank has not designated a person who is responsible for reviewing system generated daily reports; therefore, the Bank cannot ensure that any "true matches" are blocked or rejected and that such transactions are reported to OFAC according to OFAC reporting requirements; and

(ii) The "Prior Hits" report generated in August 2012, when the Bank's current software was installed, contained 57 potential "hits" that the Bank has never "cleared".

(c) The Bank does not consistently perform OFAC searches on wire transfers:

(i) According to a Bank accounting representative, the Bank performs OFAC scans on outgoing wires only in the following circumstances:

A. If the wires will be sent to a foreign destination;

B. When one or more of the parties involved in the transfer has a "foreign sounding name"; and

C. On randomly selected transfers.

(ii) According to a Bank accounting representative, the Bank performs OFAC scans on incoming wires solely based on random selection; and

(d) The Bank's OFAC Compliance System requires OFAC searches to be conducted on all new customer accounts; however, the Bank does not consistently screen new checking accounts for OFAC compliance:

(i) A customer identification program ("CIP") audit performed by the Bank's Internal Auditor in August of 2012 noted that 12 of the 12 new checking accounts sampled in the audit were opened without OFAC verification; and

(ii) Transaction testing during the 2013 examination identified eight of the ten new checking accounts sampled were opened without OFAC verifications.

29. For the reasons set forth in paragraphs 17-28, the Bank has engaged in unsafe or unsound practices by operating without an effective BSA compliance program and by engaging in violations of BSA-related laws and regulations.

COMPLIANCE ALLEGATIONS

COMPLIANCE VISITATION FINDINGS: 2012

30. The Bank's CMS was deemed deficient by the FDIC at the August 13, 2012 compliance visitation ("2012 Compliance Visitation"). The visitation covered lending and deposit activities transacted at the Bank since the June 13, 2011 Compliance Examination ("2011 Compliance Examination").

31. An effective CMS is comprised of three interdependent elements: (a) Board management and oversight, (b) a compliance program, and (c) a compliance audit function.

32. The Board and senior management do not sufficiently oversee the Bank's compliance program or the compliance audit function, as noted by the 2012 Compliance Visitation report:

(a) The Board and senior management lack the knowledge, the commitment, and the ability necessary to support the compliance program and the Bank's CMS has deteriorated since the 2011 Compliance Examination.

(b) The Board has not taken steps to ensure that the Board or that the Bank's employees are trained on consumer protection laws and regulations:

(i) At the time of the 2012 Compliance Visitation, the Board had not completed any additional training on consumer protection related matters since the 2011 Compliance Examination:

A. The only training scheduled for Board members lacked specific information regarding consumer protection laws and regulations and related more to the Bank's risk management functions.

(ii) At the time of the 2012 Compliance Visitation, there was no evidence that the Board had provided effective training to the Bank's employees responsible for the Bank's compliance with consumer protection laws and regulations.

(c) The Board has not established sufficient operating guidelines to guide the Bank's employees in compliance related matters. Specifically, the Bank's employees are not provided with specific procedures to follow to ensure that they properly perform their job assignments in compliance with applicable consumer regulations and thus minimize violations of consumer laws, despite the fact that the Bank was directed to develop, adopt, and implement specific procedures at the 2011 Compliance Examination.

(d) The Board and senior management do not retain adequate records regarding compliance-related matters, as noted below:

(i) Board minutes lack evidence of discussions regarding compliance-related matters; and

(ii) The Bank's Audit and Finance Committee minutes' discussion of compliance-related matters was limited to Home Mortgage Disclosure

Act ("HMDA") audit findings even though the 2011 Compliance Examination noted significant violations of HMDA, the Real Estate Settlement Procedures Act ("RESPA"), the Truth in Lending Act ("TILA"), the Expedited Funds Availability Act ("EFAA"), and the EFTA.

(e) Bank management resisted or failed to act on requests to spend Bank resources for compliance-related programs or improvements. For example:

(i) Bank management refused to contract for external compliance audits; and

(ii) The Board resisted purchasing loan software that would assist the Bank in curtailing consumer-related lending violations.

(f) The Board's internal audit of compliance-related matters is ineffective:

(i) The Bank's scope criteria for compliance audits are not appropriately tailored to target high risk areas; and

(ii) The Board failed to take effective corrective action on compliance audit findings.

(g) The Board's failure to implement effective corrective actions is evident by the following repeat violations of the cited statutes below, which violations were previously noted in the 2011 Compliance Examination, were identified again in the 2012 Visitation report, and which are described more fully in paragraph 35 of this C&D NOTICE:

(i) EFTA—repeat violation for failure to provide customers with provisional credit within 10 business days;

(ii) HMDA—repeat violation for failure to accurately record applicant data;

(iii) RESPA—repeat violations for failure to complete Good Faith Estimate ("GFE") correctly, for failure to include required information in the GFE, for failure to provide the applicant with a GFE within 3 business days from receipt of the loan application, and for failure to complete the HUD-1/1A form correctly; and

(iv) TILA—repeat violation for failure to establish escrow accounts for the Bank's Higher Priced Mortgage Loans ("HPML").

(h) The Board's ineffective supervision contributed to the additional violations cited in the 2012 Compliance Visitation report, including, but not limited to the following new violations, which are described more fully in paragraph 35 of this C&D NOTICE:

(i) Section 5 of the FTC Act, Unfair or Deceptive Act or Practices ("UDAP")—violation for the unfair or deceptive act or practice involving the Bank's repeat EFTA /Regulation E 12 C.F.R. § 1005.11 violation involving the Bank's error resolution procedure, and for failing to provide customers provisional credit within 10 business days;

(ii) Secure and Fair Enforcement of Mortgage Licensing Act ("SAFE Act")—violation for failure to provide the mortgage loan originator's unique identifier number to the Bank customer; and

(iii) Flood Disaster Protection Act ("FDPA")—violation for failure to obtain flood insurance coverage for the borrower's interest in the collateral.

(i) The Board fails to ensure that the Bank has an effective Compliance Officer

overseeing the Bank's compliance program:

(i) The current Bank Compliance Officer lacks experience with consumer protection laws and regulations;

(ii) The current Bank Compliance Officer simultaneously functions as the Bank's Internal Auditor thereby creating a conflict of interest and leaving her without sufficient time to perform her duties as a Compliance Officer; and

(iii) The Bank operated without a Compliance Officer from January 2011 until September 26, 2011.

33. The Bank's Compliance Program (which consists of the Bank's compliance policies and procedures, its training initiatives, its monitoring practices, and its responses to consumer complaints) is ineffective in the following areas, as identified in the 2012 Compliance Visitation report:

(a) The Bank's Compliance Manual is a generic manual that was purchased from a third-party vendor:

(i) When questioned, the Bank employees did not know the Bank owned a Compliance Manual or where it was located;

(ii) The Bank's Compliance Manual lacks institution-specific procedures to effectively guide employees in their compliance with consumer laws and regulations on a daily basis, to prevent the occurrence\recurrence of violations, or to effectively monitor the Bank's high risk areas:

A. Example One: The HMDA policy in the Compliance Manual does not provide Bank employees with written guidance on how to

report transactions, thereby contributing to a repeat HMDA reporting violation in the 2012 Compliance Visitation report; and

B. Example Two: The lack of a written procedure for compliance with Regulation E, the implementing regulation for the EFT Act, resulted in the Bank's practice being non-compliant with Regulation E and the citing of a UDAP violation in the 2012 Compliance Visitation report.

(b) The Bank's training effort was deemed deficient at the 2012 Compliance Visitation:

(i) The Bank's training was not comprehensive in scope and often omitted new and amended regulations;

(ii) There was no evidence of informal training of Bank employees on Bank procedures in either the lending or the deposit-related areas of the Bank; and

(iii) There was no evidence of any subsequent follow-up or monitoring to determine the effectiveness of any training initiative.

(c) At the 2012 Compliance Visitation, the Bank's monitoring program was deemed deficient in that the Bank's internal monitoring efforts did not encompass all high-risk consumer protection laws and regulations:

(i) Example One: EFTA/Regulation E consumer disputes were not monitored or properly tracked to ensure timely provisional credit was provided to Bank customers in compliance with the EFTA and Regulation E;

(ii) Example Two: The Bank's failure to monitor electronic fund transfer deposit-related disclosures resulted in violation of the EFTA/Regulation E; and

(iii) Example Three: There were no pre-closing loan review procedures prior to consummation of a loan, thereby increasing the Bank's risk of a violation of RESPA, TILA, and HMDA.

(d) The Bank's consumer complaint procedures are deficient.

34. The Bank does not have an effective audit program for consumer compliance, as identified in the 2012 Compliance Visitation report:

(a) The internal audit conducted by the Bank's Compliance Officer did not include all high-risk consumer protection laws and regulations or areas wherein past violations had occurred:

(i) The Bank did not conduct any audits involving areas of past violations or regulations cited at the 2011 Compliance Examination including, but not limited to, RESPA and EFTA as directed in the 2011 Memorandum of Understanding ("MOU").

(b) One self-described "internal audit" that the Compliance Officer conducted between the 2011 Compliance Examination and the 2012 Compliance Visitation, the HMDA audit, dated February 2012, failed to include key elements of an effective audit program:

(i) The HMDA compliance audit did not adequately identify the scope of the audit;

(ii) The HMDA compliance audit did not note management responses to the

audit, set timeframes for corrective action, or track the progress of any corrective actions taken by the Bank; and

(iii) The HMDA compliance audit was ineffective in that significant HMDA data errors identified in the 2012 Compliance Visitation were not cited in the February 2012 "internal audit".

(c) In addition, a self-described loan audit, dated April 2012, noted, among other issues, TILA violations and problems with loan procedures and documentation. Again, the Bank failed to take adequate steps to correct the consumer violations and the problems were documented four months later at the August 2012 Compliance Visitation.

35. The Bank committed the following violations as cited in the Bank's 2012 Compliance Visitation report:

(a) A violation of Section 5 of the FTC Act, 15 U.S.C. § 45, involving the Bank's EFTA/Regulation E error resolution procedure, which the FDIC deemed an unfair or deceptive act or practice involving the Bank's failure to comply with 12 C.F.R. § 1005.11;

(b) An EFTA/Regulation E violation of 12 C.F.R. § 1005.11(b) for requiring a police report and notarized affidavit from the consumer as a condition for providing provisional credit within the time limits;

(c) A repeat EFTA/Regulation E violation of 12 C.F.R. § 1005.11(c)(2)(i) from the 2011 Compliance Examination for failing to grant provisional credit to 3 out of ten consumers within the required time frame;

(d) An EFTA/Regulation E initial disclosure violation of 12 C.F.R. § 1005.7(b)(5)

involving debit card fees affecting deposit customers;

(e) An EFTA/Regulation E initial disclosure violation of 12 C.F.R. § 1005.7(b)(3) regarding the computation of the Bank's business days for compliance with error resolution procedures;

(f) An EFTA/Regulation E violation of 12 C.F.R. § 1005.7(b)(4) for the Bank's failure to disclose to the Bank's customers all types of EFTs allowed and the limitations imposed thereon at the time of initial disclosure;

(g) A repeat HMDA Regulation C violation of 12 C.F.R. § 1003.4(a) from the 2011 Compliance Examination involving the collection of data on nine of 20 HMDA Loan/Application Register ("LAR") lines sampled from 2011, and eight of 16 HMDA LAR lines sampled from 2012;

(h) A repeat RESPA/Regulation X violation of 12 C.F.R. § 1024.7(a) from the 2011 Compliance Examination for the Bank's failure to provide potential borrowers with a GFE within the three-day period in two of the seven loan files reviewed;

(i) A repeat RESPA/Regulation X violation of 12 C.F.R. § 1024.7(d) from the 2011 Compliance Examination for the Bank's failure to complete all sections of the GFE form, as set forth in 12 C.F.R. Part 1024 Appendix C, in two of the seven loan files sampled;

(j) A TILA/Regulation Z violation of 12 C.F.R. § 1026.19(a)(2)(i) for the Bank's failure to provide borrowers with GFEs not later than seven business days prior to the consummation of the loan transaction in two of the seven consumer real estate loan files sampled;

(k) A repeat RESPA/Regulation X violation of 12 C.F.R. § 1024.8(b) from the 2011 Compliance Examination for the Bank's failure to complete all sections of the HUD 1/1-A form in four of the seven loan files sampled;

(l) A SAFE Act/Regulation G violation of 12 C.F.R. § 1007.105(b) for the Bank's failure to provide its customers with the unique identifier of its registered mortgage loan originator in all of the seven real estate loans originated by the Bank;

(m) A repeat TILA/Regulation Z violation of 12 C.F.R. § 1026.35(b)(3)(i) from the 2011 Compliance Examination for the Bank's failure to establish the escrow account for the payment of insurance and property taxes on a HPML;

(n) A flood insurance violation of 12 C.F.R. § 339.7 for the Bank's failure to force-place flood insurance on the borrowers' behalf on the three loans that lacked the required flood insurance;

(o) A flood insurance violation of 12 C.F.R. § 339.6(a) for the Bank's failure to obtain current flood insurance determinations in two of the 11 flood insurance files reviewed;

(p) A flood insurance violation of 12 C.F.R. § 339.7 for the Bank's failure to send borrowers a 45-day notification letter prior to force-placing flood insurance on three of the 11 loans reviewed; and

(q) An ECOA/Regulation B violation of 12 C.F.R. § 1002.5(a)(2) for the Bank's failure to collect monitoring information on customers whose loans were secured by their dwellings on three of the eight real estate loans sampled.

36. For the reasons set forth in paragraphs 30-35, inclusive, the Bank has engaged in unsafe or unsound practices by operating with a deficient CMS.

PRAYER FOR RELIEF ON C&D NOTICE

37. By virtue of each of the paragraphs set forth above in this C&D NOTICE, the FDIC has determined that the Bank has engaged in unsafe or unsound banking practices and has violated the provisions of the BSA, 31 U.S.C. § 5311 *et seq.;* 12 U.S.C. § 1829b; 12 U.S.C. §§ 1951-1959; and 12 U.S.C. § 1818(s), and its implementing regulations, 31 C.F.R. Chapter X (effective March 1, 2011); Section 326.8; Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, and 12 C.F.R. Part 353, as well as other laws, rules or regulations, and prays that an appropriate C&D ORDER be issued against the Bank pursuant to the provisions of Sections 8(b)(1) and 8(s) of the FDI Act, 12 U.S.C. §§ 1818(b)(1) and (s) in the form attached hereto and incorporated by reference as EXHIBIT A to this C&D NOTICE.

NOTICE OF HEARING ON C&D NOTICE

38. Notice is hereby given that the hearing on the C&D NOTICE will be held in New Orleans, Louisiana, within 60 days from the date of service of this C&D NOTICE on the Bank, or on such date or at such place as may be set by the parties to this action and the Administrative Law Judge appointed to hear this matter, for the purpose of taking evidence on the above-mentioned charges in order to determine whether a C&D ORDER should be issued under the FDI Act requiring the Bank to establish and maintain procedures to ensure the compliance with applicable laws and regulations and correct the problems reported to the insured depository institution by the FDIC as set forth in this C&D NOTICE.

39. The hearing is to be held before an Administrative Law Judge to be appointed by the Office of Financial Institution Adjudication ("OFIA") pursuant to 5 U.S.C. § 3105. The hearing will be open to the public, unless the FDIC shall determine that an open hearing would be contrary to the public interest, and in all respects will be conducted in compliance with the provisions of the Act and the FDIC Rules of Practice and Procedures, 12 C.F.R. Part 308.

40. The Bank is directed to file an answer to this C&D NOTICE with the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, VA 22226-3500; the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room NYA-5070, Washington, D.C. 20429; A. T. Dill, Assistant General Counsel, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room MB-3020, Washington, D.C. 20429; James L. Anderson, Assistant General Counsel, Consumer Enforcement Unit, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room MB-3020, Washington, D.C. 20429, and Stephen C. Zachary, Regional Counsel, Federal Deposit Insurance Corporation, Dallas Regional Office, 1601 Bryan Street, 37th Floor, Dallas, Texas

75201, within 20 days from the date of service of this C&D NOTICE, in accordance with Section 308.19 of FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19. Pursuant to Section 308.10(b)(4) of FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.10(b)(4), all documents required to be filed, excluding documents produced in response to a discovery request pursuant to Sections 308.25-.26 of FDIC's Rules of Practice and Procedure, 12 C.F.R. §§ 308.25-.26, shall be filed electronically with OFIA. Respondent Bank is hereby directed to file any answer electronically with OFIA at OFIA@FDIC.gov. Failure to answer within the 20-day time period shall constitute a waiver of the right to appear and contest the allegations contained in this C&D NOTICE and shall, upon the FDIC's motion, cause the Administrative Law Judge or the FDIC to find the facts in this C&D NOTICE to be as alleged and to issue an appropriate C&D ORDER.

NOTICE OF ASSESSMENT OF CMPs

Based on the Bank's violation of Section 5 of the FTC Act by virtue of its EFTA/Regulation E error resolution procedures for its failure to comply with 12 C.F.R. § 1005.11, as set forth in paragraphs 35(a)-(c) of the C&D NOTICE, and the Bank's EFTA/Regulation E initial disclosure violations for its failure to comply with 12 C.F.R. § 1005.7, as set forth in paragraphs 35 (d)-(f) of the C&D NOTICE, and based upon the BSA violations as cited on pages 1 and 2 of the C&D NOTICE, and as set forth in paragraphs 17-28 of the C&D NOTICE, the FDIC hereby issues this NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING ("NOTICE OF ASSESSMENT"), pursuant to the

provisions of Sections 8(i) and of the FDI Act, 12 U.S.C. § 1818(i)(2)(A), and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Pages 1 and 2 and paragraphs 1, 2 and 4 of the C&D NOTICE are restated and incorporated by reference. To the extent used in this NOTICE OF ASESSMENT, all terms previously defined in the C&D NOTICE will have the same meaning in this NOTICE OF ASSESSMENT.
2. During the 2012 Compliance Visitation the Bank was cited for the violations of the EFTA/Regulation E error resolution procedures for its failure to comply with 12 C.F.R. §1005.11, as set forth in paragraphs 35(a)-(c) of the C&D NOTICE, and the Bank's EFTA/Regulation E initial disclosure violations for its failure to comply with 12 C.F.R. § 1005.7, as set forth in paragraphs 35 (d)-(f) of the C&D NOTICE.
3. The Bank's Compliance Officer told FDIC examiners during the Visitation that the Bank required customers reporting EFT errors to provide the Bank with written confirmation of the error, a police report, and a notarized affidavit, and that the Bank did not acknowledge any form of oral notification of EFT errors received by customers.
4. FDIC Examiners reviewed all ten written EFT errors recorded on the Bank's log since the prior compliance examination and found police reports and notarized affidavits of loss in each file, but no record of any acknowledgements to customers based on any oral notifications, in violation of Section 1005.11(b) of Regulation E, 12 C.F.R. § 1005.11(b).

5. In three of the ten EFT error disputes sampled, the Bank failed to issue provisional credit to the customer's account in the amount of the alleged error within ten business days of receiving the error notice, as required by Section 1005.11(c)(2)(i) of Regulation E, 12 C.F.R. § 1005.11(c)(2)(i).

6. In the Bank's initial EFT disclosures to its customers, the Bank failed to disclose a monthly fee that the Bank assessed its customers for debit card usage, in violation of Section 1005.7(b)(5) of Regulation E, 12 C.F.R. § 1005.7(b)(5).

7. In the Bank's initial EFT disclosures to its customers, the Bank failed to include the definition of the Bank's "business days" for purposes of complying with the EFT error resolution process, in violation of Section 1005.7(b)(3) of Regulation E, 12 C.F.R. § 1005.7(b)(3).

8. In the Bank's initial EFT disclosures to its customers, the Bank failed to disclose to the Bank's customers all of the types of electronic fund transfers that the customers may make and the limitations imposed on such transfers; specifically, the Bank failed to include information on applicable debit/ATM card transactions, in violation of Section 1005.7(b)(4) of Regulation E, 12 C.F.R. § 1005.7(b)(4).

9. By virtue of the facts set forth in paragraphs 1 through 8 above, inclusive, the Bank violated Sections 1005.11 and 1005.7 of Regulation E, 12 C.F.R. §§ 1005.11 and 1005.7, as well as 15 U.S.C. § 45(a)(1).

10. Paragraphs 17-28, inclusive, of the C&D NOTICE are restated and incorporated by reference.

11. By reason of the allegations contained in paragraphs 1-10 above, the Bank violated laws and regulations within the meaning of Section 8(i)(2)(A)(i) of the FDI Act, as set forth in the 2012 BSA examination report, the 2013 ROE, and the 2012 Compliance Visitation Report.

ORDER TO PAY AND NOTICE OF HEARING

By reason of the UDAP violations set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that a CMP should be assessed against the Bank pursuant to Section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A). After taking into account the appropriateness of the penalties with respect to the size of financial resources and the good faith of the Bank, the gravity of the violations, the history of previous violations, and such other matters as justice may require, it is:

ORDERED, that a penalty of $40,000 be, and hereby is, assessed against the Bank pursuant to Section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A).

By reason of the BSA violations set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that a CMP should be assessed against the Bank pursuant to Section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A). After taking into account the appropriateness of the penalties with respect to the size of financial resources and the good faith of the Bank, the gravity of the violations, the history of previous violations, and such other matters as justice may require, it is:

ORDERED, that a penalty of $500,000 be, and hereby is, assessed against the Bank pursuant to Section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A).

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of service receipt of the NOTICE OF ASSESSMENT on the Bank, during which time the Bank may file an answer and request a hearing pursuant to Section 8(i)(2)(H) of the FDI Act, 12 U.S.C. § 1818(i)(2)(H), and Section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19. An original and one copy of the answer, any such request for a hearing, and all other documents in this proceeding must be filed in writing with the Office of Financial Institution Adjudication ("OFIA"), 1700 G Street, N.W., Washington, D.C. 20552, pursuant to Section 308.10 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.10. Also, copies of all papers filed in this proceeding shall be served upon Robert E. Feldman, the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429; A.T. Dill, Assistant General Counsel, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429; James L. Anderson, Assistant General Counsel, Consumer Enforcement Unit, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room MB-3020, Washington, D.C. 20429, and Stephen C. Zachary, Regional Counsel, Federal Deposit Insurance Corporation, 1601 Bryan Street, 37th Floor, Dallas, Texas 75201.

Pursuant to 12 C.F.R. § 308.10(a), all documents required to be filed, excluding documents produced in response to a discovery request pursuant to 12 C.F.R. 308.25 and 308.26, shall be filed electronically with OFIA. The Bank is hereby directed to file any answer electronically with OFIA at OFIA@FDIC.gov.

IF THE BANK FAILS TO FILE A REQUEST FOR A HEARING WITHIN 20 DAYS FROM THE DATE OF SERVICE OF THIS NOTICE OF ASSESSMENT, THE PENALTY ASSESSED AGAINST THE BANK, PURSUANT TO THIS ORDER TO PAY, WILL BE FINAL AND UNAPPEALABLE PURSUANT TO SECTION 8(i)(2)(E)(ii) OF THE FDI ACT, 12 U.S.C. § 1818(i)(2)(E)(ii) AND SECTION 308.19(c)(2) OF THE FDIC'S RULES OF PRACTICE AND PROCEDURE, 12 C.F.R. § 308.19(c)(2) AND SHALL BE PAID WITHIN 60 DAYS AFTER THE DATE OF RECEIPT OF THIS NOTICE OF ASSESSMENT.

PRAYER FOR RELIEF ON NOTICE OF ASSESSMENT

The FDIC prays that if the Bank files an Answer and requests a hearing on the NOTICE OF ASSESSMENT within the timeframe allowed by law, that an Order To Pay Civil Money Penalty pursuant to 12 U.S.C. § 1818(i) in the amount of $540,000 be issued against the Bank upon the evidence presented at the hearing.

NOTICE OF HEARING ON NOTICE OF ASSESSMENT

IT IS FURTHER ORDERED that if Respondent requests a hearing with respect to the charges alleged in the NOTICE OF ASSESSMENT, the hearing shall commence sixty (60) days from the date of receipt of this NOTICE OF ASSESSMENT at New Orleans, Louisiana, or on such other date or at such other place upon which the parties to this proceeding and the Administrative Law Judge shall mutually agree.

The hearing will be public and shall be conducted in accordance with the provisions of the Act, 12 U.S.C. §§ 1811-1831aa, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308.

Pursuant to delegated authority.

Dated at Washington, D.C., this __1st___ day of __November__ 2013.

_____/s/_____
Lisa D. Arquette
Associate Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

_____/s/_____
Sylvia H. Plunkett
Senior Deputy Director
Division of Depositor and Consumer Protection
Federal Deposit Insurance Corporation